



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project-Rate Order No. WAPA-178

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Order Concerning Formula Rates for Electric Service and Calculation of the Fiscal Year 2018 Base Charge and Rates for the Boulder Canyon Project.

SUMMARY: The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA-178 and Rate Schedule BCP-F10, placing formula rates for electric service from the Boulder Canyon Project (BCP) of the Western Area Power Administration (WAPA) into effect on an interim basis. The provisional formula rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay required investment within the allowable periods. The Deputy Secretary has also confirmed and approved the fiscal year (FY) 2018 base charge and rates for BCP electric service.

DATES: Rate Schedule BCP-F10 is effective as of **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and will remain in effect through September 30, 2022, pending approval by the Federal Energy Regulatory Commission (FERC) on a final basis or until superseded. The FY 2018 base charge and rates for BCP are applicable **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and will remain in effect through September 30, 2018.

FOR FURTHER INFORMATION CONTACT: Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2453, email moulton@wapa.gov or Mr. Jack Murray, Vice President of

Power Marketing, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2555, email jmurray@wapa.gov.

SUPPLEMENTARY INFORMATION: Rate Schedule BCP-F9 under Rate Order No. WAPA-171¹ was approved for a five-year period beginning on October 1, 2015, and ending September 30, 2020. On June 19, 2017, WAPA proposed to update the formula rates under Rate Schedule BCP-F10 and calculate the FY 2018 base charge and rates in a notice published in the *Federal Register* on June 19, 2017 (82 FR 27813). The notice detailed the proposed formula rates, initiated a public consultation and comment period, and set forth the date and location of public information and comment forums.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of WAPA; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Federal rules (10 CFR part 903) govern Department of Energy procedures for public participation in power and transmission rate adjustments.

¹ Rate Order No. WAPA-171 was approved by FERC on a final basis on December 11, 2015, in Docket No. EF15-7-000 (153 FERC ¶ 62,189).

Under Delegation Order Nos. 00-037.00B and 00-001.00F and in compliance with 10 CFR part 903, 10 CFR part 904 and 18 CFR part 300, I hereby confirm, approve and place Rate Order No. WAPA-178, which places formula rates for BCP electric service into effect on an interim basis, and calculates the base charge and rates for FY 2018. Rate Schedule BCP-F10 will be submitted promptly to FERC for confirmation and approval on a final basis.

Dated: November 3, 2017.

Dan Brouillette,
Deputy Secretary of Energy.

**DEPARTMENT OF ENERGY
DEPUTY SECRETARY**

In the matter of:)	
)	
Western Area Power Administration)	
Boulder Canyon Project)	Rate Order No. WAPA-178
Rate Adjustment for Electric Service)	

**ORDER CONFIRMING, APPROVING AND PLACING FORMULA RATES FOR
ELECTRIC SERVICE INTO EFFECT ON AN INTERIM BASIS AND CALCULATION OF
FISCAL YEAR 2018 BASE CHARGE AND RATES**

The formula rates set forth in this order are established pursuant to Section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)), and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of the Western Area Power Administration (WAPA); (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). Federal rules (10 CFR part 903) govern DOE procedures for public participation in power and transmission rate adjustments.

Acronyms and Definitions

As used in this Rate Order, the following acronyms and definitions apply:

<u>Base Charge:</u>	The total charge paid by the contractors for their allocated contingent capacity and firm energy based on the annual revenue requirement. The base charge is composed of a capacity and an energy component.
<u>Boulder Canyon Project (BCP):</u>	All works and the real property associated with such works authorized by the Boulder Canyon Project Act, as amended, the Hoover Power Plant Act of 1984, as amended, and any future additions authorized by Congress, to be constructed and owned by the United States, but exclusive of the main canal and its related appurtenances authorized by the Boulder Canyon Project Act, known as the All-American Canal.
<u>Contractor:</u>	Any party that has a fully executed contract with WAPA for BCP electric service.
<u>DOE:</u>	Department of Energy.
<u>DSW:</u>	Desert Southwest Region.
<u>FERC:</u>	Federal Energy Regulatory Commission.
<u>Reclamation:</u>	Department of the Interior, Bureau of Reclamation.
<u>WAPA:</u>	Western Area Power Administration.
<u>Working Capital:</u>	Funds advanced by the contractors to meet BCP cash flow needs.

Effective Date

Rate Schedule BCP-F10 is effective as of **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and will remain in effect through September 30, 2022, pending approval by FERC on a final basis or until superseded. The FY 2018 base charge and rates are applicable **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and will remain in effect through September 30, 2018.

Public Notice and Comment

WAPA followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions (10 CFR parts 903) and General Regulations for the Charges for the Sale of Power from the BCP (10 CFR 904), in developing these formula rates and schedule.

WAPA took the following steps to involve the public in the rate adjustment process:

1. WAPA published a *Federal Register* notice on June 19, 2017 (82 FR 27813), announcing the proposed formula rates, initiating the 90-day public consultation and comment period, setting forth the date and location of public information and public comment forums, and outlining the procedures for public participation.
2. On July 19, 2017, WAPA held a public information forum in Phoenix, Arizona. WAPA's representatives explained the need for the formula rate adjustment and proposed changes to the formula rates, answered questions, and provided presentation handouts.
3. On August 18, 2017, WAPA held a public comment forum in Phoenix, Arizona, to provide contractors and interested parties an opportunity to comment for the record.
4. WAPA posts information about this public process at:
<https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

Comments

WAPA received comments from the Irrigation & Electrical Districts Association of Arizona and the Colorado River Commission during the public consultation and comment period and responds to them in the paragraphs that follow. All comments received were considered in preparing this Rate Order. The comments have been paraphrased where appropriate without compromising their meaning.

Comment: A commenter requested further explanation of how Reclamation's \$15 million for working capital was derived and whether the increase in working capital over the prior marketing period was necessary. The commenter requested steps be taken to further moderate the impact of collecting the working capital amount in the FY 2018 base charge.

Response: The greatest need for working capital is generally during the first quarter of a FY when receipts are not sufficient to cover obligations and expenditures. Because the working capital for the new marketing period will be incrementally funded over 12 billing cycles, the full amount will not be available until FY 2019. For FY 2018, the carryover balance from the marketing period ending September 30, 2017, will be available to cover funding shortfalls before the full \$15 million of working capital is collected. Because the carryover balance for the marketing period ending September 30, 2017, must be refunded by September 30, 2018, Reclamation must have the \$15 million in working capital to maintain a positive cash balance at the end of FY 2018.

Following the public comment forum, Reclamation reviewed their budgets and revenue projections for FY 2018. To moderate the base charge increase, Reclamation was able to further reduce its replacement budget by \$800,000 and increased revenue projections for the Hoover

Dam Visitor Center by \$3 million. This resulted in a net decrease to the base charge of \$3.8 million.

Comment: A commenter requested Reclamation's working capital analysis and footnotes be updated with the latest budget figures reflected in the revised base charge.

Response: The analysis was updated with the revised budget figures and posted to WAPA's website provided above. There was no change to Reclamation's working capital needs.

Comment: A commenter thanked all parties involved for the efforts made to moderate the impact of Reclamation's working capital needs on the in FY 2018 base charge. The commenter encouraged further efforts as well.

Response: Reclamation and WAPA were able to collectively moderate the impact of the working capital collection by reducing agency budgets by approximately \$4.5 million. Reclamation and WAPA will continue to work collaboratively to ensure the stability of the base charge.

Comment: A commenter thanked Reclamation and WAPA for their collaborative efforts to moderate the impact of the working capital collection in FY 2018 by billing over a 12-month period rather than a one-time collection. The commenter also requested that pre-2017 and post-2017 marketing period balances be accounted for separately, included the post retirement benefit (PRB) amounts.

Response: Reclamation and WAPA are able to separately identify balances between pre-2017 and post-2017 marketing periods, including PRB balances.

Background and Provisional Base Charge and Rates

The Hoover Dam, authorized by the Boulder Canyon Project Act (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona-Nevada border. The Hoover Dam's power plant

has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). High-voltage transmission lines and substations deliver this power to southern Nevada, Arizona, and southern California.

The rate-setting process for BCP is different from most WAPA power systems. The Boulder Canyon Project Amended and Restated Implementation Agreement (BCPIA), executed in 2016 between WAPA, Reclamation, and contractors, carried forward the rate methodology used for the marketing period ending September 30, 2017. This rate methodology requires contractors to pay a base charge rather than a unit rate for power. The base charge is designed to collect sufficient revenue to cover all annual costs and to repay investment obligations within allowable time periods. Each contractor is billed a base charge in proportion to their allocation of power from the Hoover Dam. A unit rate is calculated for comparative purposes but is not used to determine charges for electric service.

Since a new 50-year marketing period commences on October 1, 2017, WAPA is updating the formula rates for a five-year period and calculating the base charge and rates for FY 2018.

The revision to Rate Schedule BCP-F10 is:

<p><u>Capacity</u>: Shall be equal to the annual capacity dollars divided by 2,074 megawatt hours. This rate is applied to unauthorized overruns.</p>

The existing formula used to calculate the forecast capacity rate was revised from 1,951 to 2,074 megawatts to reflect the current generating (nameplate) capacity for the BCP, as required by the Hoover Power Allocation Act of 2011. No other changes to the formula rates in the rate schedule were proposed.

The update to the FY 2018 formula driven base charge and rates are:

	FY 2017 Base Charge	FY 2018 Base Charge	Percent Change
Base Charge	\$69,662,289	\$76,910,193	10.4%
Composite Rates (mills/kWh)	19.63	19.98	1.75%

The FY 2018 base charge increased from \$69.6 million in FY 2017 to \$76.9 million in FY 2018, a 10.4 percent increase. The composite rate increased to 19.98 mills per kilowatt month, a 1.75 percent increase. Although the overall BCP budget decreased in FY 2018, the establishment of a working capital fund for the new 50-year marketing period caused the FY 2018 base charge to increase. As part of the BCPIA, Reclamation is establishing a \$15 million working capital fund to cover short-term liabilities until sufficient revenues are received. This fund is particularly important at the beginning of a fiscal year when project-related expenses tend to be greater than the revenue collected. This working capital fund balance will be reviewed annually in accordance with the BCPIA.

Certification of Rates

WAPA's Administrator certified that the provisional formula rates for BCP electric service under Rate Schedule BCP-F10 result in the lowest possible rates consistent with sound business principles. The provisional formula rates were developed following administrative policies and applicable laws.

Availability of Information

All brochures, studies, comments, letters, memorandums and other documents used by WAPA to develop the provisional formula rates are available for inspection and copying at the

Desert Southwest Regional Office, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents are also available on WAPA's website:

<https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA has determined that this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Submission to FERC

The formula rates herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

ORDER

In view of the foregoing and under the authority delegated to me, I confirm and approve, on an interim basis, the formula rates under Rate Schedule BCP-F10. Rate Schedule BCP-F10 is applicable the first full billing period on or after **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and will remain in effect through September 30, 2022, pending FERC's confirmation and approval of the rate schedule or substitute formula rates on a final basis.

Dated: November 3, 2017

Dan Brouillette
Deputy Secretary of Energy

**Rate Schedule BCP-F10
(Supersedes Rate Schedule BCP-F9)**

**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION
Boulder Canyon Project**

SCHEDULE OF RATES FOR ELECTRIC SERVICE

Effective

The first day of the first full billing period beginning on or after **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, and extending through September 30, 2022, or until superseded by another rate schedule, whichever occurs earlier.

Available

In the marketing area serviced by the Boulder Canyon Project.

Applicable

To power supplied by the Boulder Canyon Project through one meter, at one point of delivery, unless otherwise provided by contract.

Character and Conditions of Service

Alternating current at 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Base Charge

The charge paid by each contractor for their allocated capacity and firm energy based on the annual revenue requirement. The base charge shall be composed of a capacity component and an energy component:

Capacity Charge: Each month WAPA shall bill each contractor for a capacity charge equal to one-twelfth ($1/12$) of the capacity dollars multiplied by each contractor's contingent capacity percentage as provided by contract.

Energy Charge: Each month WAPA shall bill each contractor for an energy charge equal to that period's monthly energy ratio, multiplied by the contractor's energy dollars as provided by contract.

Forecast Rates

Energy: Shall be equal to the annual energy dollars divided by the lesser of the total master schedule energy or 4,501 megawatt hours. This rate is applied to excess energy, unauthorized overruns, and water pump energy.

Capacity: Shall be equal to the annual capacity dollars divided by 2,074 megawatt hours. This rate is applied to unauthorized overruns.

Calculated Energy Rate

Within ninety (90) days after the end of the fiscal year, a calculated energy rate shall be calculated. For any rate year in which energy deemed delivered is greater than 4,501 megawatt hours, WAPA shall apply the calculated energy rate to each contractor's energy deemed delivered to determine the contractor's actual energy charge. A credit or debit shall be

established for each contractor based on the difference between the contractor's energy dollars and the contractor's actual energy charge, to be applied in the month following the calculation or as soon as possible thereafter.

Lower Colorado River Basin Development Fund (Contribution Charge)

The Contribution Charge is 4.5 mills for each kilowatt hour measured or scheduled to an Arizona purchaser and 2.5 mills for each kilowatt hour measured or scheduled to a California or Nevada purchaser, except for purchased power.

Billing for Unauthorized Overruns

For each billing period in which there is a contract violation involving an unauthorized overrun of contractual power obligations, such overrun shall be billed at ten (10) times the forecast energy rate and forecast capacity rate. The Contribution Charge shall also be applied to each kilowatt hour of overrun.

Adjustments

None.

[FR Doc. 2017-24496 Filed: 11/9/2017 8:45 am; Publication Date: 11/13/2017]